

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 SS-20 NSC-07 L-03

H-03 INT-08 DRC-01 /137 W
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FM AMEMBASSY MANAMA BAHRAIN

TO SECSTATE WASHDC 0000

INFO AMEMBASSY ABU DHABI UAE

AMEMBASSY KOHA QATAR

AMEMBASSY KUWAIT KUWAIT

AMEMBASSY MUSCAT OMAN

UNCLAS MANAMA 0247

E.O. 11652 : N/A

TAGS : EIND,EFIN,QA

SUBJECT : FOREIGN INVESTMENT CLIMATE AND STATISTICS: QATAR

REF : STATE 53993

1. THE CLIMATE FOR DIRECT FOREIGN INVESTMENT (DFI) IN QATAR IS A RELATIVELY GOOD ONE, BUT IN ANSWERING ANY ECONOMIC QUESTION RELATIVE TO QATAR IT MUST BE EMPHASIZED THAT QATAR IS A MAJOR PETROLEUM EXPORTING NATION, EXPORTING APPROXIMATELY 600,000 BARRELS OF OIL PER DAY. THIS MEANS THAT QATAR DOES NOT HAVE A FINANCIAL NEED FOR DIRECT FOREIGN INVESTMENT. FURTHER, QATAR IS SPARSELY POPULATED, WITH A POPULATION OF LESS THAN 150,000. THUS, THE LOCAL DOMESTIC MARKET FOR PRODUCTS IS SMALL. QATAR'S GREATEST CONCERN IS IN DEVELOPING AN INDUSTRIAL BASE, ALBEIT SMALL, ON WHICH TO RELY WHEN THE OIL STARTS RUNNING OUT, AND ITS GREATEST NEED IS FOR SKILLED MANPOWER. THERE ARE FEW LAWS IN EXISTENCE CONCERNING INVESTMENT INCENTIVES, LOCAL PREFERENCE POLICIES, ANTITRUST, DOUBLE-TAXATION, PATENTS, ETC.

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2. GIVEN THE ABOVE, DFI IS ENCOURAGED ON DEVELOPMENT GROUNDS

AND TO THE EXTENT IT PROVIDES SKILLED MANPOWER AND MANPOWER TRAINING. CAPITAL INTENSIVE INVESTMENT IS PREFERRED OVER LABOR INTENSIVE. NEARLY ALL LARGE PROJECTS ARE NEGOTIATED AND A SEPARATE AMIRI DECREE ISSUED CONCERNING EACH; HOWEVER A PATTERN HAS EMERGED. FOREIGN OWNERSHIP CANNOT EXCEED 49 PERCENT AND PROBABLY WILL NOT EXCEED 40 PERCENT. THE INVESTMENT CONTRACT WILL INCLUDE PROVISION FOR MANAGEMENT OF THE FACILITY (PROBABLY BY THE FOREIGN INVESTOR), FOR PROVIDING TECHNICAL EXPERTISE AND TRAINING LOCAL MANPOWER, AND PROBABLY FOR GUARANTEEING SALE OF THE PRODUCT AT A FLOOR PRICE. TAXES PROBABLY WILL BE MINIMAL. THERE IS LABOR LAW WHICH MUST BE FOLLOWED, BUT ITS TERMS ARE NOT ONEROUS, UNIONS ARE NOT ALLOWED.

3. QATAR IS SMALL ENOUGH THAT AMIR AND A FEW SENIOR ADVISORS CAN, AND DO, FOLLOW THE PROGRESS OF ALL DFI. THEIR GUIDELINES USUALLY ARE: WILL THE PROPOSED PROJECT BENEFIT QATAR? DOES IT OFFER VALUE FOR MONEY INVESTED?

4. MOST STATISTICS IN QATAR ARE CLOSELY HELD, AND STATISTICS FOR FOREIGN INVESTMENT ARE NOT AVAILABLE. FOREIGN INVESTMENT IN THE PETROLEUM SECTOR IS, OF COURSE, SIZEABLE, WITH THE U.S. PORTION BEING ABOUT 10 PERCENT. WHEN AND IF SUCH STATISTICS BECOME AVAILABLE THEY WILL BE FORWARDED.

KILLGORE

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